K4D | Knowledge, evidence and learning for development

Learning to implement and scale up responsible and inclusive business practices

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Question

What is the evidence of businesses using available resources (information, evidence, metrics) to inform the implementation and scaling up of responsible and inclusive business practices?

Contents

1. Summary

The literature reviewed for this report indicates that **multinational businesses seeking to implement or scale up responsible and inclusive business practices learn best or most frequently through partnerships and peer-to-peer relationships, and through experimentation and innovation within the organisation**. Resource materials such as guidelines, toolkits, case studies, and other documentary evidence are used by companies, but there appears to be little concrete evidence about how they are used in practice to support implementing and scaling up responsible and inclusive business practices. Documentary resources are used for sharing technical details of relatively simple business models (Krämer, Péron, & Pasipanodya, 2014, p. 43; Tewes-Gradl, Pasipanodya, & Pirzer, 2018, p. 6), but most of the knowledge that companies require to transform business practices is more complex and tacit knowledge, which is more effectively transferred through shared interactions and experiences such as partnerships, peer-to-peer learning, and immersion (Kayser & McGrath, 2019, p. 7; Krämer et al., 2014, p. 37; Mirvis, Herrera, Googins, & Albareda, 2016, p. 5020; Tewes-Gradl et al., 2018, p. 6).

1.1 Partnerships and peer-to-peer learning

The literature reviewed for this report suggests that **partnerships and peer-to-peer learning are the most effective ways that multinational businesses use to learn how to transform business practices** to become more responsible, sustainable, and inclusive. A study by the World Economic Forum, drawing on interviews with more than 30 companies, reported that ‘nearly every corporate executive interviewed… emphasized the importance of partnerships’ (George, Milligan, Brown, & Blanke, 2016, p. 28). A similar study by the consulting firm Hystra, drawing on their work with 20 multinational corporations over nine years, concluded that ‘the most successful corporate inclusive businesses started by… immersing themselves both in their target beneficiaries’ lives and in existing projects from other organizations’ (Kayser & McGrath, 2019, p. 7). Most of the knowledge that companies require to adapt their business practices is ‘tacit and difficult to transfer’ but can be gained from partners through shared interactions and experiences (Mirvis et al., 2016, p. 5020). Businesses seeking to replicate inclusive business models ‘need first-hand information from experts or those who have undergone similar experiences’ (Krämer et al., 2014, p. 37).

Companies can **fill capacity gaps** by partnering with other companies (large or small), civil society groups, donors, development finance institutions, and governments who can contribute complementary assets, resources, skills, and expertise. (George et al., 2016; World Business Council for Sustainable Development, 2013, p. 14). External agencies such as donors can also deliberately create or support local business-service providers, such as consulting and advisory firms, incubators and accelerators, trade associations, and chambers of commerce, to offer companies the necessary support (Krämer et al., 2014, p. 40).

These types of **partnerships are generally mutually beneficial**, with each partner gaining from the interaction and knowledge exchange occurring even when knowledge exchange is not a direct goal of the interaction (George et al., 2016, p. 28; Mirvis et al., 2016, p. 5019). Knowledge gained through collaboration also enhances knowledge transfer through improved learning capabilities and increased social capital, leading to the potential for a virtuous cycle (Mirvis et al., 2016, p. 5019). Deliberately approaching this kind of engagement as collaboration rather than consultation can lead to positive innovation (Cramer, Allison-Hope, Taylor, Richmond, &

Bancilhon, 2018, p. 33; De Pree, Estrade, le Roux, & Hyson, 2018, p. 41). Collaboration can, however, also be 'difficult, time consuming, and resource intensive' and many collaborations fail because organisations cannot commit the time of senior decision-makers or because the issue is not compelling enough (Cramer et al., 2018, p. 33).

While a great deal of learning occurs naturally through collaboration, activities specifically organised to facilitate **peer-to-peer organisational learning** can also be powerful ways of improving businesses' capacities. Peer learning events can be efficiently organised as add-on events to existing forums and meetings, where they can offer opportunities for concrete, solution-oriented discussions which can be followed up later (Krämer et al., 2014). Financially supporting dissemination or peer learning activities can help incentivise organisations of all types that have developed successful inclusive business models to share them: many such organisations are 'mission-driven and grounded in local markets, and have limited interest, capacity and networks to expand regionally or globally' but 'would rather share their experience with those who can replicate their models in other markets, particularly if there are incentives in place and dissemination would be facilitated by a suitable intermediary' (Krämer et al., 2014, pp. 10–11).

Programmes such as '**immersion experiences**', or staff exchanges that enable individuals to visit partner businesses or work together for a period of time, provide opportunities to acquire first-hand knowledge on how a business model works and scales up, which is knowledge that is difficult to transfer but crucial for successful replication (Krämer et al., 2014, p. 54). 'Learning-by-doing' through experiences like joint projects and immersion in base-of-the-pyramid markets may be preferred by businesses over formal training programmes (World Business Council for Sustainable Development, 2013, p. 16).

Finding the right participants for peer learning activities and matching them with each other well is extremely important (Krämer et al., 2014; Tewes-Gradl et al., 2018). A report by the consulting firm Endeva, looking at three types of peer learning events, describes matching participants as 'the most time-consuming part of the process' (Tewes-Gradl et al., 2018, p. 6). Similarly, the business models to be discussed and shared should be reviewed to make sure they are appropriate and worthy of replication, and if possible independently verified as to their impact – Endeva suggests that business models to be shared could be selected through an awards scheme or some other vetting process (Krämer et al., 2014, pp. 42–43).

1.2 Innovation and experimentation within the firm

Companies that are successful in transforming business practices to become more responsible and inclusive often do so through innovation and experimentation within the organisation, to learn what works in combination with their existing business models, markets, and priorities. The UNDP-led multi-stakeholder initiative Business Call to Action recommends that businesses should invest in and apply research and development practices to generate innovative and inclusive products and services (Pelaez, Vali, & Honkonen, 2019, p. 50). However, 'too many sustainability management efforts begin with benchmarking what other companies are doing, which drives convergence to the median and limits potential for change' rather than encouraging ambitious innovation (Cramer et al., 2018, p. 22) and most companies are not yet structured to support and scale up sustainable and inclusive business practices (Chakravorti, Macmillan, & Siesfeld, 2014, p. 18)

Multiple authors recommend that businesses should **create space for experimentation** within the organisation. This often takes the form of incubators or centres of excellence – organisational units with distinct decision-making processes, incentives, resources, and performance evaluation criteria where risk-taking is encouraged and new ideas can be pilot-tested (Chakravorti et al., 2014, p. 5; De Pree et al., 2018, p. 47; George et al., 2016, pp. 25–26). New ideas can be tested in small pilots which are regularly reassessed and either halted or scaled up as outcomes emerge (George et al., 2016, p. 23). Innovation incubators require 'patient funding', as socially innovative ideas often need more time to get to market and reach profitability than standard business models (George et al., 2016, p. 21).

While new business models can be tested in protective environments, the literature suggests that **incubators for new business practices should not be too isolated from the rest of the business**, and should be integrated with mechanisms for learning from and scaling up successful innovations. Prototypes that remain protected for too long 'risk growing disconnected from core business goals and strategies, falling prey to 'not invented here' syndrome, or being pigeonholed' as purely philanthropic corporate social responsibility work, unconnected with core business (World Business Council for Sustainable Development, 2013, p. 11). Pilot projects should be linked with local teams and partners on the ground, with higher-level country teams, and with corporate headquarters to get buy-in on initial plans and ensure willingness to take projects forward if they are successful (Kayser & McGrath, 2019, p. 23). Companies should establish robust learning loops to capture lessons and transfer them into improvements in products and services (George et al., 2016, p. 23), and should recognise that knowledge spreads through an organisation not only through formal frameworks and procedures but also through osmosis and informal networks (Mirvis et al., 2016, p. 5020).

Some authors suggest that companies should **encourage innovation more widely within firms as part of their core business**, and not restrict it to specialist incubator units. The World Economic Forum argues that social innovation can become 'a constantly evolving process that generates new sources of social value while supporting a company's business growth and market competitiveness' (George et al., 2016, p. 26). Rules and processes for budgeting, recruiting, and contracting across the organisation should be reviewed 'to ensure they do not act as a brake on innovation by slowing down the process of piloting and scaling intrapreneurial initiatives' (De Pree et al., 2018, p. 47). New technologies, in particular, offer potential for innovation around sustainable and inclusive business models (George et al., 2016, p. 25; Pelaez et al., 2019, pp. 53–54).

The literature emphasises that it is particularly important to **empower and encourage staff members to experiment, take risks, and innovate**. Business Fights Poverty recommends supporting and facilitating leaders, managers, and staff members all across the organisation to be creative and to undertake innovative projects through performance reviews and incentives, professional development, and providing space and time for sharing barriers, co-creating solutions, and working with external stakeholders (De Pree et al., 2018, pp. 30–41). Staff development programmes, workshops, competitions, and awards can be useful ways of tapping in to innovative ideas from front-line staff (George et al., 2016, p. 18). New ideas inevitably meet resistance, however, and require support from well-connected, credible, and suitably senior people who are empowered and able to take risks and build support across an organisation (Kayser & McGrath, 2019, pp. 20–21).

1.3 Guidelines, toolkits, and documentary evidence

Little evidence is available about how businesses use guidelines, toolkits, case studies, and other forms of documentary evidence to transform business practices.

Several sources discuss various types of information that are useful to businesses seeking to replicate or scale up responsible or inclusive business practices, but there appears to be little evidence about exactly how these resources have been used in practice or what their impact has been. For example, the consulting firm Endeva reports, drawing on interviews with 16 inclusive businesses and 18 intermediary organisations, that up-to-date information and research on local markets, demographics, partners, strategies, business models, and the business environment can be useful to businesses seeking to replicate inclusive business models (Krämer et al., 2014, pp. 7–8). Similarly, academics from the Cranfield School of Management and Harvard Kennedy School report that many business coalitions have developed 'strategic blueprints or roadmaps for action on corporate responsibility and sustainability' as well as 'practical guides, frameworks and tools' and have codified and disseminated good practices through benchmarking tools, case studies, indices, and award programmes (Grayson & Nelson, 2013, p. 139). However, the way that these resources are used in practice to transform business practices is not discussed.

The literature suggests that documenting approaches to implementing and scaling up responsible and inclusive business practices may be feasible for simple business models, but may not be sufficient for sharing complex models, require adapting to local circumstances, and may lack independent verification. The International Business Action Network suggests that interactive, peer-to-peer learning is more effective for sharing complex business models, but that 'for simpler models, such as making biomass briquettes or cookstoves, key elements can be documented for replication' (Tewes-Gradl et al., 2018, p. 6). In another case, Grameen Foundation developed a detailed manual for its Village Phone programme, in which individual entrepreneurs provide mobile phone service to customers on a pay-per-call basis, but found that a static manual could not evolve with the business model (especially in a dynamic market like mobile communications) and had to be adapted to local environments, as each national implementation of the programme has been unique. The Foundation suggests 'coupling a manual with an evolving and organic solution such as an online platform, thus facilitating the exchange of experiences and ideas on how to improve and further evolve an inclusive business model' (Krämer et al., 2014, pp. 42–43). The consulting firm Endeva also notes that documented case studies may lack evidence that they are achieving results on the ground, and recommends independent verification by intermediaries to ensure quality (Krämer et al., 2014, p. 43).

2. Annotated bibliography

Business Call to Action: *What does it take to go big?*

Pelaez, P., Vali, N., & Honkonen, T. (2019). ***What does it take to go big? Management practices to bring inclusive business to scale.***
https://www.businesscalltoaction.org/sites/default/files/resources/Report-What does it take-NOV19-WEB.pdf

Business Call to Action (BCtA), a multi-stakeholder initiative with a secretariat hosted by UNDP, published a report in 2019 outlining management practices that large corporations identified as important to implementing inclusive business practices (Pelaez et al., 2019). The report's recommendations are based on a literature review, in-depth interviews with 25 companies, a survey of 193 companies, ongoing unpublished research, and in-house experience. The authors identified barriers that hold companies back from implementing inclusive business practices and principles that were found to be effective in helping businesses improve practices, and provided 17 examples of how companies have implemented these approaches in practice.

The report identifies the following **barriers to scaling up inclusive business practices** (pp. 10-14):

- **Conflicting mindsets and lack of organisation-wide buy-in**: Different units within an organisation may display different mindsets about the relationship between a company's financial performance and its commitment to the SDGs. A 'trade-off' mindset emphasises shareholder value as the primary purpose, with sustainability seen as a cost rather than an opportunity, while a 'win-win' mindset sees sustainability and financial performance as mutually reinforcing. It is essential to gain the buy-in of those who have a trade-off mindset and ensure that all core teams understand and recognise the benefits of inclusive business models.
- **Changes to routines and lack of staff knowledge**: A major reason why inclusive business transformations fail is a lack of staff knowledge about how to adapt and apply the company's business model to bottom-of-the-pyramid markets, or how to combine business and inclusivity in a single market development strategy. This could be overcome by organisational learning and training to increase understanding of the value of inclusive business and how to integrate it into existing business models.
- **Project evaluation criteria**: Inclusive business initiatives 'usually demonstrate promising economic potential for large multinationals if assessed using long-term criteria' (p. 12). However, they may not show good potential when evaluated against common short-term criteria used to evaluate business opportunities, so may be rejected as complex, resource-intensive, and time-consuming, with insufficient return on investment.
- **Aligning mandates, performance indicators, and Incentives**: Decision makers and employees in different parts of the business often have mandates which conflict or at least are not aligned towards inclusive business goals (for example, rewards are often based solely on financial performance). Performance indicators and incentive structures can be realigned to reward desired behaviours.

Business Call to Action also identified the following **approaches to scaling up inclusive business**:

- **Governance and management** (pp. 17-32):
    - **Aligned leadership and accountability**: Defining and formalising accountability and oversight from company leadership to deliver inclusive business objectives. Aligning executive staff compensation to results that include both financial/commercial and social/environmental impacts. Recommended practices are raising inclusive business to a board-level priority, aligning incentives including executive compensation with inclusive business goals, and strengthening communication between management and employees.
    - **Risk management**: Regularly identifying, assessing and monitoring risks using relevant tools. Setting comprehensive risk mitigation strategies and action plans. Establishing a broader understanding of inclusive business opportunities and challenges, and the right mindset to address them. Recommended practices are

to identify and manage risks across the value chain, link risk management with the sustainable development goals, broaden the criteria used in risk assessment, and improve governance and management structures.
    - **Stakeholder engagement and collaboration**: Identify key internal and external stakeholders, and engage and collaborate with them by understanding and responding to their needs. Recommended practices are to clearly define and articulate the stakeholder engagement strategy and evaluate engagement using appropriate measures of success.
    - **Corporate advocacy**: Identify material issues on which the company is willing to speak out, engage and influence peers, policymakers, consumers, suppliers, and employees, to help foster an inclusive business ecosystem and encourage faster or deeper change. Recommended practices are to advocate collaboratively on the core values of the company and stakeholders, measure and communicate impact, and ensure transparency in advocacy.
- **Performance** (pp. 33-40):
    - **Performance management**: Track, review and act on the performance of the inclusive business (both financial/commercial and social/environmental dimensions), including establishing performance review processes that ensure continuous improvement and integration of learning. Recommended practices are monitoring inclusive business performance using appropriate metrics, fostering an organisational culture of using metrics for inclusive business performance routinely, and focusing on learning and adaptation.
    - **Target setting**: Set a balance of financial/commercial and social/environmental impact targets for the inclusive business. Fix inclusive business targets for the short and long term and link them to the vision and objectives of the company. Recommended practices are to set meaningful, impactful, and measurable financial, social, and environmental targets.
- **Talent management** (pp. 41-48):
    - **Talent recruitment and management**: Source, attract and select talent for the inclusive business. Develop, promote and retain high-potential employees. Recommended practices are to integrate values into talent management processes, adapt recruitment processes to inclusive business, and sustain existing talent and make employee engagement a priority.
    - **Employee well-being**: Promote the quality of life, health and the ability to work of employees. Recommended practices are to align organisational practices to support employee well-being, enable employees to have control and influence over their work, and adopt a proactive approach to health.
- **Operations management** (pp. 49-55)
    - **Research and development practices**: Invest in and apply research and development practices into inclusive business operations to generate innovative and inclusive products and services. Recommended practices are to tailor products and services to inclusive business and to work on co-creation with bottom-of-the-pyramid customers.
    - **Adoption of innovative technology**: Identify and integrate innovative technologies and management techniques into inclusive business processes.

Recommended practices are to tailor products and services to inclusive business and to work on co-creation with bottom-of-the-pyramid customers.

Business Fights Poverty: *Embedding the sustainable development goals into business*

Business Fights Poverty & Ashridge Centre for Business and Sustainability at Hult International Business School. (2017). *Embedding the Sustainable Development Goals into Business*.
https://businessfightspoverty.org/articles/download-centre-132-register/

A report published in 2017 by the international network Business Fights Poverty and Hult International Business School, supported by DFID, reviewed how three global companies have attempted to integrate the Sustainable Development Goals (SDGs) into their business practices. The report draws on interviews with staff members of the three companies (CEMEX, De Beers Group and Pearson) and an online discussion with members of the Business Fights Poverty community (Business Fights Poverty and Ashridge Centre for Business and Sustainability at Hult International Business School, 2017).

The report identifies **five steps for engaging with the SDGs**, which are illustrated in the report with case studies from the three organisations participating in the study (pp. 2-3):

- **Building understanding in the business of what the SDGs mean**: Companies report that the SDGs offer a framework that helps them to:
    - align commercial, social, and environmental goals with global and national government and stakeholder priorities;
    - facilitate collaboration with partners;
    - catalyse action for greater impact through organisational purpose and values, employee and partner engagement, and access to new resources; and
    - increase accountability by linking company activities to this globally recognised framework.

  The most powerful driver for aligning incentives and capabilities in support of the SDGs is a clear, quantitative business case which can be understood across the organisation.
- **Mapping and prioritisation**: Companies need to assess how existing business and sustainability goals contribute to the SDGs, both positively and negatively, and then identify where impacts on the SDGs are greatest and where to focus efforts. Companies in this study prioritised SDGs where the company's potential impact and contribution are strongest, but do not necessarily ignore others.
- **Setting business relevant targets**: Linking SDG-related goals and targets to company targets and indicators is essential to unlocking investment, management time and individual accountability required for meaningful action. However, it can be a challenge to develop targets and indicators that reflect the ambitions of the SDGs while mapping on to the company's core business.
- **Integrating with existing sustainability strategies and programmes** through some or all of the following approaches:
    - Advancing the SDGs through product and service innovation;

    - Linking to existing company initiatives to unlock new resources and momentum, and to catalyse new partnerships;
    - Leveraging existing management systems, structures and networks, such as board-level sustainability committees or sustainability champion networks; or
    - Integrating into public advocacy and policy dialogue activities.
- **Aligning with existing reporting activities**: External stakeholders increasingly expect businesses to demonstrate their contribution to the SDGs, and organising reporting around the SDG framework will make it easier for businesses to have a common dialogue across different stakeholder groups.

The authors identify the following **success factors for operationalising the SDGs** (p. 3):

- Frame action on the SDGs as part of core business, not a philanthropic extra;
- Develop tailored advice and guidance for different business units and different parts of the value chain;
- Translate the SDGs into business-relevant language;
- Develop a narrative that links the SDGs to business priorities; and
- Harness key influencers and personal relationships to build cross-company support and engagement with the SDGs.

Business Fights Poverty: *The intrapreneur ecosystem*

De Pree, M., Estrade, F., le Roux, H., & Hyson, K. (2018). ***The Intrapreneurship Ecosystem: Creating the conditions for social innovation to flourish in your company*****.**
https://businessfightspoverty.org/articles/download-centre-143-register/

This report prepared by Business Fights Poverty and The League of Intrapreneurs in 2018 outlines a framework intended to help leaders and managers support innovation towards improving sustainable and inclusive business practices (De Pree et al., 2018). The authors draw lessons from a series of five international workshops, interviews with academics and practitioners, online discussions, and desk-based research. The report includes case studies showing how five multinational corporations have improved their capacities for social innovation.

The authors of the report identify five **barriers** faced by intrapreneurs attempting to effect organisational change (p. 19):

- **Personal**. Constraints around finding time, accessing talent, developing skills, and staying energised.
- **Functional**. Working in organisations where collaboration across silos is not encouraged, or where stretching beyond one's remit may be actively discouraged.
- **Cultural**. Constraints around organisational mindsets – the slowness of organisations to reimagine the way they work.
- **Strategic**. New opportunities and approaches often push beyond the current business strategy and can bump up against short-term or conflicting business priorities.
- **System**. System-level shifts in consumer behaviour, investor decision making or policy playing fields may be required to help new ideas take hold.

The report identifies four themes that make up their framework for **enabling and supporting social innovation**:

- **Purpose beyond Profits**: Identify and clearly communicate a purpose that goes beyond profit-making and is clearly linked to business values. Consider developing a set of maxims that every employee knows well. A purpose/values framework could be used to help guide day-to-day decision-making across different functions. Help department and country managers translate and simplify the overall business purpose into local contexts. Allow for time frames to be relaxed to allow innovation to move as quickly or slowly as needed. (pp. 24-29)
- **People as Change Agents**: Create an environment that enables and supports employees to innovate. Ensure that recruitment criteria include values, skills and attributes that support intrapreneurship across the entire business. Ensure that the employee evaluation framework includes measures for enabling behaviours such as risk-taking and collaboration. Incorporate modules on intrapreneurial skills in training and leadership development programmes. Connect intrapreneurs with senior level executives and seasoned intrapreneurs inside and outside the company who can act as mentors. Create platforms and opportunities for intrapreneurs to share stories of successes and failures. Highlight the role that personal values and attributes play in delivering both business and social value. Create learning communities of intrapreneurs and connect them with external innovation networks. (pp. 30-34)
- **Power of We**: Acknowledge the decentralisation of power in organisations and foster new types of collaborations across traditional boundaries. Explore the scope for devolving more decision-making power to the team or individual level, especially around resource allocation and risk-taking in innovation. Encourage senior executives and line managers to act as 'godparents' for social impact projects. Reward leaders who encourage, support and coach innovators. Encourage decision-makers outside the innovation unit to be open to intrapreneurial ideas and train them in the basics of social innovation, including risk profiles, time horizons and realistic expectations around returns on investment. Invite employees and intrapreneurs to identify barriers to collaboration and innovation and help co-create solutions. To foster stronger collaboration, ensure that project designers work closely with target communities, creating space for both partners to contribute their respective strengths and capabilities. (pp. 35-41)
- **Generative Pipeline**: Develop a social innovation process to support prototyping, incubation, and scaling-up of innovations. Consider setting up a separate business unit with the incentives and resources to pursue intrapreneurial ideas. Encourage all employees to be intrapreneurial and train managers to support and facilitate this. Competitions can provide an effective stimulus for idea generation. Consider democratising the innovation process by providing a 'kit' with essential resources for ideas generation, accessible by anyone with an idea. Review rules and processes in areas such as budgeting, recruiting and contracting to ensure they do not act as a brake on innovation. Provide tailored intrapreneur training. Ensure that the scale of investment in intrapreneurship and the level of commitment from leadership match expectations for how many ideas will be generated, developed and taken to scale. (pp. 42-47)

Business for Social Responsibility: *Redefining sustainable business*

Cramer, A., Allison-Hope, D., Taylor, A., Richmond, B., & Bancilhon, C. (2018). ***Redefining Sustainable Business: Management for a Rapidly Changing World*****. Business for Social Responsibility.**
https://www.bsr.org/reports/BSR_Redefining_Sustainable_Business.pdf

Business for Social Responsibility (BSR) is a global non-profit organisation founded in 1992 that works with more than 250 member companies and other partners to integrate sustainability into their strategy and operations. This 2018 report provides guidance for companies on how to transform their strategies, governance, and management to become more sustainable. The report draws on lessons learned from projects undertaken with network members, 50 interviews with sustainability leaders in companies and other opinion leaders, a global survey, and a literature review (Cramer et al., 2018, pp. 2–5)

The report recommends the following framework for transforming sustainable business practices:

- **Act** within a company to create business strategies, governance, and management approaches to achieve sustainable business goals (pp. 6-27):
  - **Strategy and value creation**: Resilient business strategies address sustainability challenges and take into account how the world is changing.
    - Seek out business development and revenue growth opportunities that arise from sustainability;
    - Use scenario planning and foresight to build sustainable strategies;
    - Adapt materiality and enterprise risk assessment approaches to incorporate sustainability risks; and
    - Use a comprehensive framework to examine the resources companies need, including manufactured, financial, social, and human capital.
  - **Governance**: Boards and senior executives have the expertise, insights, and information necessary to plan for a sustainable future over the long term while also overseeing sustainability performance today.
    - Emphasise long-term value creation over sustainability oversight and performance scrutiny;
    - Strengthen board stewardship of sustainability;
    - Align incentives (including executive compensation) to sustainability performance;
    - Recruit board members with expertise to understand the strategic implications of sustainability issues;
    - Provide training on material sustainability issues; and
    - Create external advisory councils.
  - **Leadership and management**: Create structures, processes, and relationships that make sustainability an essential part of company decision-making and operations, built upon an ethical organisational culture that sustains integrity and supports sustainability innovation.

        - Increase diversity in leadership teams, including prioritising pro-social behaviour and collaboration;
        - Adopt a ‘servant leadership’ style which is team-oriented and decentralised, rather than a traditional command-and-control structure;
        - Promote creativity and innovation, rather than benchmarking;
        - Frame sustainability as an opportunity for growth and value creation, and promote a long-term value orientation in leadership; and
        - Develop leadership and management skills as futurists, value creators, change agents, and coalition-builders.
- **Enable** sustainability beyond the company by building mutually beneficial relationships with external stakeholders and partners to catalyse action across the value chain (pp. 28-41):
    - **Engagement and collaboration**: Develop mutually beneficial relationships with stakeholders and address systemic challenges through collaboration.
        - Use systems-based approaches that capture more diverse voices;
        - Alter the purpose of engagement from consultation to collaboration, and use stakeholder relationships for innovation, systemic change, and to identify emerging issues; and
        - Promote deep integration of stakeholder engagement mechanisms throughout the company.
    - **Reporting and disclosure**: Company disclosures should provide useful sustainability information for shareholders and other stakeholders, and an ethical organisational culture should sustain integrity and support sustainability innovation.
        - Produce varying types of reports suited to different audiences’ needs, adapting the content and level of detail as required;
        - Use different reporting standards as appropriate to the reporting purpose;
        - Ensure that reporting supports internal and external performance accountability and improvement, and support high-quality dialogue with stakeholders; and
        - Provide context and interpretation by linking ‘numbers’ and ‘narratives’.
- **Influence** sustainability beyond the company by promoting policy frameworks that strengthen the relationship between commercial success and the achievement of a just and sustainable world (pp. 42-55):
    - **Company law and regulation**: Support regulatory frameworks and rules for due diligence and disclosure that drive sustainable business.
        - Identify legal instruments that support sustainable business in the long term, and support integrating them into public policy;
        - Support regulation that is consistent with international norms, addresses broad issues and outcomes rather than narrow symptoms of problems, focuses on making a material difference to sustainability issues, and brings companies that have been slow in adopting sustainability measures up to a level playing field with leaders;

        - Improve the comprehensiveness of due diligence measures to identify, prevent, mitigate, and account for sustainability issues relevant to all stakeholders; and
        - Support increased public disclosure of information of material interest to society.
    - **Advocating for sustainable business**: Speak out in favour of policies that enable a just and sustainable world and promote the interests of sustainable business.
        - Advocate for policy frameworks that support resilient business;
        - Collaborate with other entities and sectors in public policy coalitions;
        - Engage with public policy in more diverse spaces including local and regional levels as well as the national level; and
        - Improve public communication about company mission, vision, and values, make public statements about sustainability, and examine opportunities to deploy social investment capital to help meet communities' needs.

Citi Foundation: *Growth for good or good for growth?*

Chakravorti, B., Macmillan, G., & Siesfeld, T. (2014). ***Growth for Good or Good for Growth? How Sustainable and Inclusive Activities are Changing Business and Why Companies Aren't Changing Enough.***
https://www.citigroup.com/citi/foundation/pdf/1221365_Citi_Foundation_Sustainable_Inclusive_Business_Study_Web.pdf

This 2014 report by Citi Foundation (the philanthropic arm of Citigroup investment bank), the Fletcher School at Tufts University, and the Monitor Institute at Deloitte (the accountancy and consulting firm) examines the incentives for sustainable and inclusive business activities, barriers to implementation, and how companies can overcome these barriers. The report draws on interviews with managers and executives at 40 large companies and other experts, surveys of 42 companies, and a literature review (Chakravorti et al., 2014).

The report identifies the following **barriers to implementing and scaling up sustainable and inclusive business activities** (p. 3):

- **Absence of common strategic motivation and vocabulary**: There is no widely agreed vocabulary in business to discuss sustainable and inclusive business activities across diverse groups of stakeholders and decision makers. Terms such as inclusive markets, sustainability, or shared value are used by NGOs, consultants and academics but have not been widely adopted by business, which uses terminology related to issues like commercial viability and market development strategy. In some cases, sustainable and inclusive business terminology can deter businesses from engaging. Leaders need to establish and communicate the motivation to engage in these types of efforts in a way that resonates with others in the enterprise.
- **Absence of organisational home**: Businesses have not figured out where in the organisation to locate inclusive and sustainable business practices, how to make investment decisions or link these activities to profit centres, or how to compensate managers appropriately. Building inclusive and sustainable business practices requires

different time horizons, performance metrics and capabilities that might require significant departures from business as usual and might only be available through partnerships.

- **Local constraints**: Challenges related to local infrastructure, working with local suppliers, and measuring and monetising impact limit the ability to gain support from commercially-oriented business units. Businesses have found that it can be productive to work with local partners, governments and NGOs to improve infrastructure, but working with these local partners can be slow and unreliable, and can have significant political ramifications.
- **Difficulties in measuring impact**: About a quarter of respondents in this study cited challenges with measuring impacts on sustainability and inclusiveness as a key barrier, making it difficult to manage these activities and allocate budgets appropriately.

The authors suggest the following **'remedies' to overcoming these barriers** (p. 4, 18):

- **Identify investments in resolving contextual gaps as part of core growth strategy**: Incorporate contextual gaps (such as local infrastructure and the business environment) in the assessment of the business, so that these factors are included in the assessment of sustainable and inclusive business activities and in strategic choices.
- **Make space to innovate within the organisation**: Companies are, in general, not yet structured to support and scale-up sustainable and inclusive business activities. Create space within the organisation for sustainable and inclusive business practices, with distinct decision rules, incentives, budgets and metrics. Innovative internal structures can help overcome constraints such as short investment time horizons and inexperience collaborating with cross-sector and inter-industry players. Lessons can be learned from models used to incubate and scale-up new venture and innovation units within large organisations.
- **Partner strategically and proactively**: Work cooperatively with governments and other institutions to address local infrastructure and contextual gaps (such as issues of water, sanitation, education, financial literacy and so on), and be proactive in working towards solutions with them. Use public incentives to align partners. Assemble a solution that creates economic and political opportunities for all stakeholders in the partnership.
- **Use public incentives and participate in multiple partnerships**: Where possible seek out public monies and incentives to show 'proof of concept' models, share risk, and leverage relationships and local knowledge of NGOs and public sector organisations.
- **Develop tailored performance measurement and reporting frameworks**: Create measurement and feedback frameworks that track and articulate social and environmental outcomes in business terms. Prove the benefits of allocating and managing resources to sustainable and inclusive business activities as leading indications of economic growth for a wide group of stakeholders and decision makers. Improve reporting to respond to emerging consumer demand for clear, comparable impact information, and to government and donor requirements for assurances that interventions are creating the kind of social change promised by companies. Go beyond periodic sustainability reporting to assess long-term social and environmental impacts.
- **Explore new paradigms to overcome market failures**: Two of the five most commonly-cited barriers – weak local infrastructure and limited consumer education – are traditionally addressed by the public sector, but companies cannot always wait for

governments and donors to fill these gaps. Companies must invest, co-invest, and collaborate to overcome difficult market conditions.

Endeva: *Multiplying impact*

Krämer, A., Péron, C., & Pasipanodya, T. (2014). ***Multiplying Impact: Supporting the Replication of Inclusive Business Models*****.**
https://endeva.org/wp-content/uploads/2014/11/end-FoVo-C-Rep-Screen-2.pdf

Endeva is a firm that works with companies, donors, governments, and NGOs to support implementation and scaling up of inclusive business models. A 2014 report produced by the company with support from the German Federal Ministry for Economic Cooperation and Development (BMZ) reflected on their work, drawing on interviews with 16 inclusive businesses and 18 intermediary organisations. (Krämer et al., 2014):

The report presents twelve **recommendations for supporting the replication of inclusive business models**, illustrated by practical examples. These recommendations are primarily addressed to donors and governments, rather than to companies (pp. 8-12):

- **Information and knowledge**
    - **Provide information on replication-relevant topics**: Research can provide inclusive businesses with information on making a model replication-ready, including market intelligence and information about potential partners and specific replication strategies.
    - **Match inclusive businesses with replication experts to share knowledge**: Develop innovative knowledge-exchange conduits that match inclusive businesses with peers or other experts with practical experience in the area. Take advantage of existing forums to offer opportunities for real exchange and concrete, solution-oriented discussions. Online solutions are making knowledge-exchange efforts more cost effective and easier to coordinate, but organisers should avoid creating new platforms unnecessarily and instead consider expanding existing ones to ensure information remains consolidated.
    - **Create service providers that offer information and knowledge**: Local business-service providers can provide expert advice on issues such as tax or regulatory systems in expansion markets, can assist with strategy development or skill development, and can provide other services to help with scaling up.
    - **Foster second movers by providing granular information on vetted business models**: Information on what works and what does not is crucial to businesses. Dissemination can be supported by helping inclusive businesses share their models with potential second movers, in part by providing details on best and failed practices. Alternatively, such second-generation businesses can be given assistance in identifying vetted business models that merit replication.
- **People and partners**
    - **Help inclusive businesses pursuing replication find talent**: Well-established systems exist to help companies in traditional markets find good human resources; providing similar services in low-income markets could greatly facilitate the search for competent and skilled managers.

- **Build a talent pool**: Inclusive businesses need a broad range of employees to operate the expanding business, but workers with combined business and social-sector knowledge and experience are rare. Build pools of talent in low-income markets by working with local business schools and supporting executive-training programmes or replication-focused coaching and mentoring schemes. Care should be taken that coaching services actually help establish capacities rather than making businesses dependent on them.
- **Connect inclusive businesses with potential replication partners and second movers**: Matching companies with suitable partners through knowledge exchange conduits or industry events can foster replication. This can be done through forums such as trade fairs and exhibitions. Only vetted models that merit replication should be showcased. Development partners networks of offices across different countries can also support the dissemination of proven models or match replication partners with each other.
- **Train second movers**: Immersion programmes are a powerful tool for building the capacity of second-generation businesses, as these give them the chance to observe, first-hand, how successful inclusive business models function. Supporting disseminators in establishing training programmes and centres for developing the skills of second movers is another effective mechanism in easing the way for entrepreneurs who wish to replicate an existing model.

- **Finance**
  - **Use financial innovation to make the replication of inclusive business models more attractive**: Inclusive businesses require targeted and more flexible financing arrangements than are often available to support replication. Initially, grant funding or internal resources are required to prepare strategies; in later stages, the company needs investment capital with high risk tolerance. Risk can be reduced through instruments such as co-investment funds, risk-sharing or first-loss guarantees.
  - **Bring in new players to participate in inclusive-business financing**: Inclusive businesses often look for funders and investors that become real partners and add value through mentoring, networking or technical support. Corporations, diaspora communities, impact investors and philanthropic donors and foundations can support financing replication of inclusive businesses.
  - **Create market infrastructure and intermediary bodies**: Businesses often complain about not being able to find investors that can meet their financing needs, while investors frequently say that they struggle to find investment-worthy businesses. Investors are also reluctant to investigate small investment opportunities because of the high costs of due diligence. Intermediaries can help identify opportunities and partners, or create online solutions to match investors and businesses.
  - **Provide incentives for the dissemination and reproduction of inclusive business models**: Entrepreneurs with inclusive business models are often mission-driven and grounded in local markets, and have limited interest, capacity and networks to expand regionally or globally themselves. They would rather share their experience with those who can replicate their models in other markets, particularly if incentives are in place and dissemination would be facilitated by a suitable intermediary. Financially supporting dissemination can

help incentivise entrepreneurs to share their experiences and support second movers.

Another report by Endeva notes that large companies often struggle to implement inclusive business initiatives themselves, and suggests that in some circumstances it can be more effective for large companies to **buy businesses that have already developed inclusive business models** (Tewes-Gradl, Schmidt, Leahy-Wright, & Sinha, 2019, p. 5). The authors suggest that acquiring an existing inclusive business may make sense when a large company seeks to enter new markets, grow quickly, acquire know-how, extend supply chains, bring new staff into the company, or refresh the company's purpose (Tewes-Gradl et al., 2019, p. 10).

Grayson & Nelson: *Corporate responsibility coalitions*

Grayson, D., & Nelson, J. (2013). *Corporate Responsibility Coalitions: The Past, Present, and Future of Alliances for Sustainable Capitalism.* Abingdon (UK) and New York: Routledge.

This book by academics from the Cranfield School of Management and Harvard Kennedy School published in 2013 comprehensively examines the history, operation, and impact of business-led coalitions whose primary purpose is to promote responsible business practices (Grayson & Nelson, 2013). The authors estimate that in 2013 there were more than 110 such coalitions, not including multi-stakeholder initiatives and other business organisations (p. 3).

The authors find that **business-led coalitions have had the following impacts**, which they illustrate in the book through examples of coalitions' activities (pp. 138-142):

- **Raising awareness of the business case and the societal need for corporate responsibility and sustainability**
    - **Supporting widespread communications activities**: Coalitions have made the business case for corporate responsibility through publications, conferences, presentations, case studies, dialogues, media coverage, project visits, and increasingly through social media and cause-related or social marketing and advertising.
    - **Producing empirical evidence and independent research, indices and awards**: Coalitions have commissioned academic research and analysis by financial institutions to provide better data and empirical evidence on links between corporate financial performance and environmental, social, and corporate governance performance. Several have supported the creation of indices and independent awards programs.
    - **Working with CEOs and senior executives as champions**: A number of coalitions have provided platforms for CEOs, senior executives and political leaders to act as champions and advocates for corporate responsibility, not only within their own companies and industry sectors, but also more broadly.
- **Embedding responsible business practices and sustainability into companies' business strategies**
    - **Developing strategic visions and roadmaps for action:** Some coalitions have developed strategic blueprints or roadmaps for action on corporate responsibility

    and sustainability that have been used by companies, governments, and other stakeholders to inform their strategic direction.
  - **Providing practical guidance, frameworks and tools for action**: Coalitions have developed practical guides, frameworks and tools to help executives develop corporate responsibility policies, management systems, incentives, metrics and measurement processes, and public disclosure and reporting practices. They have also codified and disseminated good practices through benchmarking tools, case studies and award programs. In some cases, they have provided advisory services and technical assistance to help companies find solutions to social issues.
  - **Building skills and capabilities**: Many coalitions engage and train individuals or teams within companies, ranging from strategic leadership programs for senior management teams to practitioner-focused training for sustainability or corporate responsibility professionals to employee volunteering and engagement support.
- **Scaling up responsible business practices**
  - **Leveraging private resources**: Coalitions have supported provided platforms for companies to work collectively on issues, and in some cases enabled companies, governments and civil society organisations to work together. Such collective action platforms are able to leverage more resources, skills, influence and political attention to address social, economic and environmental priorities.
  - **Facilitating collective self-regulation within business**: Some coalitions have facilitated collaborative governance and self-regulation, which supports scaling of corporate accountability and transparency by creating a more level playing field and encouraging country and sector leaders to raise standards above legal compliance levels and encourage competitors and suppliers to follow suit.
  - **Using traditional business associations as platforms to scale**: Some corporate responsibility coalitions have influenced traditional business representative organisations such as chambers of commerce, institutes of directors, sector trade associations and employers' federations, many of which are starting to support corporate responsibility and sustainability initiatives, which offers potential for scaling up impact.
  - **Replicating across companies and countries**: Coalitions and networks have engaged large numbers of companies in many countries.
  - **Influencing government policies and practices**: Business-led coalitions have helped to shape the policies and programs of national and regional governments.
  - **Engaging investors and the financial sector**: Some coalitions have engaged with the investment community and the financial sector more broadly, which are important for scaling up improvements in environmental, social, and corporate governance performance.
  - **Engaging other key stakeholders**: Coalitions have increased the awareness, capacity and, in some cases, influence of civil society organisations, academic institutions and intermediaries that are able to scale impact through their own channels and communities.
  - **Achieving wider political and societal impacts**: The multiplier impacts of the coalitions have extended beyond responsible business behaviour, extending in some countries to contributions to national reconciliation or nation-building.

The authors also note the following **criticisms of corporate responsibility coalitions** (pp. 143-145):

- Coalitions tend not to criticise members for poor performance, they give legitimacy to members who are only paying lip-service to corporate responsibility, and they generally shy away from raising difficult issues for their member companies.
- They represent lowest-common-denominator thinking on corporate responsibility, and fail to push for tougher standards.
- With responsible business practice becoming more sophisticated and industry- and issue-specific, generalist coalitions lack the ability to offer advice or challenges to top-performing companies.
- The proliferation of corporate responsibility coalitions, voluntary performance standards, and other initiatives creates duplication, and even the leading global companies lack the resources to work with all of these different organisations.
- They divert political attention and energy away from effective regulation.
- They have confused the public about what corporate responsibility standards should be expected, by championing members' efforts and implicitly suggesting that companies are doing enough.
- They may divert resources away from front-line delivery organisations to pay for the coalitions' own infrastructures.
- Some very specific criticisms include accusations that the World Business Council on Sustainable Development may be too heavily influenced by extractive industries and may be becoming a tool to prevent action on climate change, and accusations that CSR Europe and the UN Global Compact enable companies to get access to EU institutions and the UN and benefit from implied association with these institutions.
- As coalitions grow, they may become more bureaucratic and slower to spot and raise new issues, as they devote more attention to keeping members happy and maintaining existing programs.
- The reach of existing coalitions is small; there are perhaps 10,000 to 12,000 companies engaged in some type of corporate responsibility coalition, but there are an estimated 80,000 multinational companies worldwide.
- Few coalitions have successfully engaged SMEs, which represent between 65% and 90% of the formal private sector in many countries.
- Some leading companies have used their participation in collective action initiatives to avoid direct and public engagement on key sustainability issues.
- Although business leaders are often actively engaged at the formation of collective initiatives, they often do not remain engaged, so organisational commitment weakens over time.
- Some coalitions have been criticised for having lofty ideals and aspirations, but lacking clarity on specific actions and achievable and measurable goals, making it difficult to demonstrate their added value in practical ways.
- Coalitions have been criticised for insufficient reflection and self-examination, and for not being sufficiently open to criticism.

Hystra: *The journey of multinational corporations to inclusive business*

Kayser, O., & McGrath, L. K. (2019). ***The Journey of Multinational Corporations to Inclusive Business.***
https://static1.squarespace.com/static/51bef39fe4b010d205f84a92/t/5ce3d04a7c661a000118c49d/1558433917838/Hystra+report+-+The+Journey+of+multinational+corporations+to+inclusive+business.pdf

Hystra, a consulting firm working with businesses to design and implement inclusive business approaches, produced a report in 2019 drawing on their work with 20 multinational corporations over the previous nine years in which they identify lessons about internal factors that affect the adoption of inclusive business practices. The authors recommend the following six steps that corporations should take to successfully develop sustainable and scalable inclusive business practices (Kayser & McGrath, 2019, p. 7):

1. **Clarify the objectives and level of ambition**: Building a 'platform of benefits' for the project (business, brand equity, HR, innovation) helps find arguments to convince diverse key stakeholders of the project's success. The farther from the core business the project is, the greater the platform of benefits must be. Being aware of each individual's level of ambition for the project is key to avoid disappointing expectations.
2. **Learn from others and find your unique strategic fit**: The most successful corporate inclusive businesses started by learning from the ground (immersing themselves both in their target beneficiaries' lives and in existing projects from other organisations) rather than inward (looking for technical solutions that their R&D teams could produce). They then thought strategically about how their own assets contributed to specific needs and to the existing solutions they had seen work.
3. **Give the intrapreneur role to internal, credible, risk-taking leaders**: Disruptive initiatives inevitably face internal resistance and must be championed by internally well-connected and recognised individuals who are able to take risks, reassure executives of the economic soundness of their model, and gather supporters across the organisation.
4. **Make the pilot a success, both on the ground and at headquarters**: On the ground, this requires working with local teams (and, if necessary, with partners) aligned on project vision and ambition, launching it at the right time, and securing and measuring early positive results. At the headquarters level, this means getting buy-in from headquarters and country teams on initial business plans, building a governance structure that includes all required stakeholders, and securing early support from multiple high-level supporters.
5. **Create solid ties in the organisation**: Nurture a sense of pride and ownership among employees (through communication, internal volunteering programs, or employee's investments) and among shareholders. Design an appropriate host structure, possibly open to external funding, which allows working with inclusive business-specific performance indicators and bypassing counter-productive corporate processes. De-risking mechanisms for various business units to create their own replication of the inclusive business model can help replicate the concept in multiple countries.
6. **Mainstream inclusive business in the organisation**: Company-wide changes might be required to mainstream inclusive businesses, such as adapting performance indicators to give inclusive businesses sufficient time to develop, allowing their champion(s) to stay and grow with the project, and designing appropriate financial and non-financial incentives.

Inclusive Business Action Network: *Replicating replication of inclusive business*

Tewes-Gradl, C., Schmidt, A., Leahy-Wright, M., & Sinha, L. (2019). ***Inclusive Business: Make or Buy? Corporate Impact Venturing at the Base of the Pyramid.***
https://endeva.org/wp-content/uploads/2019/05/corporate-impact-venturing.pdf

The Inclusive Business Action Network (IBAN) is a GIZ initiative supporting the scaling and replication of inclusive business models. IBAN and partner organisations have organised peer-to-peer learning workshops in various formats to support the spread of inclusive business models. The 'Meet & Multiply' matchmaking process brings together originators and adopters of new business models in half-day workshops; the 'SEED Replicator' process documents models in a workbook and makes the information available to entrepreneurs through workshops; and the 'Ashoka Globalizer' programme supports Fellows to undertake a three-month mentoring process and facilitates connections among them. A brief 2018 report by IBAN reported identified barriers and success factors for these initiatives, illustrated by examples from the three programmes (Tewes-Gradl et al., 2018).

This 2018 report on the initiative noted the following **barriers to replication** of inclusive business practices (pp. 6-7):

- **Fit**: Adopters may try proposed models and find that they do not fit their local contexts. However, participants may still find inspiration in the model and take individual ideas, or reflect on their own approach from another angle.
- **Time**: Both originators and adopters may become overtaken by daily routines once they return from a learning event; a more intensive support process could help keep the follow-up at the top of partners' agendas.
- **Money**: Funding was identified as the most critical barrier. Finding funding for pilot testing is difficult; establishing commitments from investors in advance to support first steps would ease progress.

The report also identified **success factors** that helped these approaches replicate inclusive business practices (p. 6):

- **Finding the right participants**: Carefully selecting participants ensures that they are really valuable to each other. Selection is the most time-consuming part of the process. Well-connected local partners and a good screening and briefing process were important for success.
- **Providing specific information**: By asking questions, originators and adopters can obtain exactly the information they need. For adopters of complex models, this is the most effective way to understand whether or not adoption makes sense; for simpler models, key elements can be documented for replication.
- **Linking to supporters**: Funding is typically the key ingredient to get a replication initiative off the ground. It takes time to get the model right in the new context, so financial returns can only be expected after a while, making commercial funding difficult. Grant funding is the most viable kickstarter, especially when adopters are small.

Mirvis et al.: *Corporate social innovation*

Mirvis, P., Herrera, M. E. B., Googins, B., & Albareda, L. (2016). Corporate social innovation: How firms learn to innovate for the greater good. *Journal of Business Research, 69*.
https://doi.org/10.1016/j.jbusres.2016.04.073

This peer-reviewed academic journal article published in 2016 discusses how companies learn to engage in social innovation to enhance supply chains, reach socially-conscious and green consumers, tap markets at the base of the pyramid, and bring business solutions to societal needs. The article is based on a five-year longitudinal study following more than 70 firms, drawing on interviews, field observations, and documentary evidence, as well as a literature review (Mirvis et al., 2016).

The authors suggest that corporate social innovation involves acquiring or creating knowledge in four areas: local conditions in their supply chain or target market; how to produce and implement innovations and work with partners in an unfamiliar culture and context; how to develop legitimacy with and connections to local interests and users; and corporate commitment to social purpose (p. 5015). They find that (pp. 5017-5020):

- ‘Most of the knowledge’ needed for corporate social innovation is ‘tacit and difficult to transfer’ (p. 5020) which they gain from partners through shared interactions and experiences;
- Corporate social innovation activities are ‘intensely interactive and experiential’ and lead to knowledge exchange even when knowledge exchange is not a direct goal;
- Knowledge exchange tends to occur between all parties in corporate social innovation collaborations, and the exchange tends to be bilateral or multilateral rather than one-way;
- Knowledge gained through social innovation activities enhances implementation of future activities and also enhances knowledge transfer through improved learning capabilities and increased social capital, leading to the potential for a virtuous cycle;
- Knowledge gain includes explicit knowledge, tacit local knowledge on methods, and improved understanding of the importance of social innovation;
- Challenges involved in accessing tacit knowledge and co-creating innovations include adapting to learn local rules, customs, and values.
- Learning can occur both through formal innovation frameworks and procedures and more organically and implicitly via osmosis and informal networks.

World Business Council for Sustainable Development: *Scaling up inclusive business*

World Business Council for Sustainable Development. (2013). *Scaling up inclusive business: Solutions to overcome internal barriers*.
http://wbcsdservers.org/wbcsdpublications/cd_files/datas/business-solutions/social-impact/pdf/WBCSD_Scaling_up_inclusive_business.pdf

The World Business Council for Sustainable Development (WBCSD) is a global forum for businesses seeking to share best practices on sustainable development issues, with 200 member companies and a network of 60 national and regional business councils and partner organisations, the majority of which are in developing countries. This 2013 report by the WBCSD identified barriers to scaling up inclusive business and proposed solutions for each barrier, drawing from experiences of 13 global companies and academic research (World Business Council for Sustainable Development, 2013).

The report identified the following **barriers to scaling up inclusive business** (p. 5):

- **Opportunity cost of investment**: Inclusive business investments may have lower expected rates of return than alternative investments because the cost or risk of doing business in base of the pyramid markets is high, anticipated margins are low, a long time horizon is needed to break even, and forecasts may be uncertain. It can be difficult to justify the opportunity cost of investing in inclusive business models when other investments with higher, more certain rates of return are available.
- **Strategic and operational misalignment**: Inclusive business models may be so different from a company's existing business models that existing structures and processes cannot easily be leveraged. Lower rates of return and lack of clarity about the relative importance of commercial and social objectives can cause strategic and operational misalignment. Managers' performance targets and incentives may not be aligned with inclusive business objectives, and lack of internal communication and 'not invented here' syndrome can also result in resistance to change.
- **Capability gaps**: When inclusive business models are very different from existing business models, capability gaps can impede a company's ability to make progress, and capabilities may need to be adapted or built from scratch. It is often possible to acquire capabilities necessary to pilot an inclusive business model, but to scale up, those capabilities need to be more widespread.

WBCSD suggests the following **solutions to overcoming each of these barriers**, illustrated in their report by short examples (not summarised here) of how various companies have implemented each of these solutions:

- **Opportunity cost of investment** (pp. 7-9):
    - **Adopt a portfolio approach**: Inclusive business opportunities can be found all along the risk-return spectrum, varying according to the size of the investment required, how long it will take to recoup, and what rate of return to expect. It helps to understand where an inclusive business opportunity falls, and how it fits in to the overall investment portfolio. Companies can take a portfolio approach to reduce risk, balancing radical innovations with more incremental plays that are easier to implement.
    - **Obtain senior leadership support**: Senior leadership support can help unlock investment in inclusive business opportunities. Senior leaders may be the only people in the company empowered to make long-term strategic bets, but they may also be able to create space for more junior staff who lack authority or are constrained by short-term performance targets and incentives. Senior leaders can support the core business integration and mainstreaming necessary for long-term sustainability and scale.
    - **Quantify total value created for the firm**: To make the case for riskier inclusive business investments, it can help to quantify non-financial benefits such as establishing brand awareness and loyalty, enhancing reputation, building

goodwill, developing stakeholder relationships, lifting employee morale, and improving employee recruitment and retention. However, even where non-financial value is large, it may be too dispersed to affect individuals' incentives or behaviours.
    - **Find outside investors**: When it is difficult to make the case for an inclusive business investment internally, a company can look for outside investors to share the cost and risk. Donors and some development finance institutions may be able to accept lower financial rates of return in exchange for socio-economic impact. Such concessions can make the financial rates of return for companies more competitive with alternative investments they have available.
- **Strategic and operational misalignment** (pp. 11-13):
    - **Start with the business plan**: Companies report that it is easiest to avoid strategic and operational misalignment by understanding their country priorities and growth strategies and pursuing inclusive business initiatives that support them. If doing business with base of the pyramid suppliers, distributors, retailers, and/or consumers helps a company achieve existing goals, then it automatically aligns with existing operating structures, processes, performance targets and incentives set up to drive progress toward those goals.
    - **Get out of the corporate greenhouse**: Many inclusive business models get started in protected environments or 'corporate greenhouses' such as special innovation units and corporate social responsibility or sustainability departments. Such incubators can help to develop experimental new business models, but models that show promise need to be integrated in order to scale. Prototypes that remain protected for too long risk growing disconnected from core business goals and strategies, falling prey to 'not invented here' syndrome, or being viewed as philanthropic corporate social responsibility.
    - **Adjust performance targets**: As companies begin to scale inclusive business models, companies may wish to change incentives by introducing impact-related performance targets. This is difficult, since multiple departments and many staff members may be involved, and all will have to be aligned. Broad organisational change requires senior leadership support from across the company
    - **Establish a separate company**: If strategic and operational misalignment is too great, companies may attempt to develop an inclusive business model through a separate company, such as a subsidiary or joint venture. Special-purpose ventures could be spun off or sold, or perhaps reintegrated with the parent company if the business model evolves and becomes compatible.
- **Capability gaps** (pp. 15-17):
    - **Utilize external partners**: Companies can fill capability gaps by partnering with other companies, civil society groups, donors, development finance institutions, and governments who can contribute complementary assets, resources, skills, and expertise. Partnering can range from contracting services on a fee basis to deeper sharing of costs, risks, and rewards on the basis of complementary objectives.
    - **Bring core capabilities in-house**: External partnership can fill some capability gaps, but it is critical to know when to bring capabilities in-house. As an inclusive business model moves from start-up to scale, issues like efficiency, quality

control, and competitive advantage become more important and may need to be internalised as core capabilities.
    - **Support professional development**: When it is clear what capabilities a company needs to build, one approach is to create professional development opportunities for staff. Not many formal education or training programmes exist, and 'learning by doing' through special projects and immersion in base of the pyramid markets may be preferred options.
    - **Establish centres of excellence**: Some companies seeking to build capabilities have established dedicated central teams to raise awareness, develop and share knowledge and tools, facilitate internal and external networking, and transfer technology. These centres of excellence can serve both functional and regional units.

World Economic Forum: *Social innovation*

George, M., Milligan, K., Brown, S., & Blanke, J. (2016). *Social Innovation: A Guide to Achieving Corporate and Societal Value*. World Economic Forum.
http://www3.weforum.org/docs/WEF_Social_Innovation_Guide.pdf

The World Economic Forum, an independent organisation providing a high-level forum for global business and public policy leadership, produced a report in 2016 providing a rationale for social innovation and a framework for implementation that draws on interviews with more than 30 companies to identify relevant lessons and experience (George et al., 2016, p. 17). The report argues that social innovation, defined as 'the application of innovative, practical, sustainable, market-based approaches to benefit society in general, and low-income or underserved populations in particular' can provide benefits that include improved financial returns, improved competitiveness, access to new markets, strengthened supply chains, and talent retention (p. 5).

The report makes the following recommendations for implementing social innovation, which are illustrated in the report with examples taken from major international businesses (pp. 17-29):

- **Identify opportunities that can contribute to a company's strategic objectives**.
    - Mobilise teams around a long-term vision provided by senior leadership.
    - Co-create ideas with employees by engaging them through development programmes, competitions, awards, or workshops.
    - Empower front-line units and teams who interact with consumers and other stakeholders.
- **Design feasible concepts, prototypes, or business models**.
    - Focus on the problem being solved, recognising that internal structures that work well for business-as-usual may not be able to incubate socially innovative ideas, so that structures may need to be refined or new ones created.
    - Offer patient funding and incubation support, as socially innovative ideas often need more time to get to market and reach profitability than standard business models.
    - Engage a cross-functional change management team with an effective change management process including collaboration between internal champions with executive authority and functional expertise.

- **Learn through field testing and rapid prototyping**.
    - Embrace experimentation, testing new ideas in small pilots that can be regularly reassessed, and halted or scaled up as outcomes become clear.
    - Create robust learning loops to capture and transfer lessons so that products and services can be improved.
    - Define and measure performance with clearly defined and simple performance indicators for business and social outcomes.
- **Scale up prototypes and pilots across business units or regions**.
    - Leverage technology for growth and assess and adjust business models to make adjustments to support growth, including making continuous upgrades to products, processes or internal structures as well as changing external partners if necessary.
    - Create a centre of excellence to identify and share best practices and centralise tasks that support growth, such as establishing partnerships and measuring results.
    - Find new opportunities to create business value so that social innovation does not remain a series of one-off projects but becomes a constantly evolving process that generates new sources of social value while supporting a company's business growth and market competitiveness.
- **Partner with other organisations that bring in complementary assets, resources, skills and expertise**.
    - Draw on social enterprises, civil society organisations and other actors who have established trusted relationships or established effective business models that serve these markets to fill gaps in skills and knowledge.
    - Partnerships are two-way relationships; each partner has something to offer and to gain from the relationship.

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This report is based on six days of desk-based research. The K4D research helpdesk provides rapid syntheses of a selection of recent relevant literature and international expert thinking in response to specific questions relating to international development. For any enquiries, contact helpdesk@k4d.info.

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